IN THE UNITED STATES DISTRICT COURT

IN AND FOR THE DISTRICT OF DELAWARE

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CALLAWAY GOLF COMPANY,	:	CIVIL ACTION
Plaintiff,	:	
vs.	:	
ACUSHNET COMPANY,	:	
Defendant.	:	NO. 06-91 (SLR)

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Wilmington, Delaware
Wednesday, December 9, 2009
9:30 o'clock a.m.
***Telephone conference

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BEFORE: HONORABLE SUE L. ROBINSON, U.S.D.C.J.

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APPEARANCES:

FISH & RICHARDSON P.C.
BY: THOMAS L. HALKOWSKI, ESQ.

-and-

Valerie J. Gunning
Official Court Reporter

APPEARANCES (Continued):

FISH & RICHARDSON
BY: FRANK E. SCHERKENBACH, ESQ.
(Boston, Massachusetts)

Counsel for Plaintiff

POTTER, ANDERSON & CORROON
BY: RICHARD L. HORWITZ, ESQ.

-and-

HOWREY LLP
BY: HENRY C. BUNSOW, ESQ. and
JOSEPH P. LAVELLE, ESQ.
(Washington, D.C.)

Counsel for Defendant

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PROCEEDINGS

(REPORTER'S NOTE: The following telephone conference was held in chambers, beginning at 9:30 a.m.)

THE COURT: Good morning, counsel. This is Judge Robinson, and Valerie is here as our Court Reporter. It would be helpful if you identified yourselves when you spoke so our record is clear.

I believe I have a universal view of what issues we need to talk about and I have thoughts on those, but I think it makes more sense for you, each party to take a few minutes to summarize what they believe the issues are, and then I will give you my proposed responses and we can have a further discussion. So let's start with counsel for Callaway.

MR. SCHERKENBACH: Good morning, your Honor. This is Frank Scherkenbach of Fish & Richardson, getting over a bit of a cold as you can tell, so I will try to be as clear as I can.

THE COURT: All right.

MR. SCHERKENBACH: First of all, obviously, we appreciate the letter from the Court providing a specific week in March for the retrial. We have that. My understanding, then, is that we have a schedule of a

pretrial conference on March 3rd, which your Honor set during our September 4th call, jury selection March 12th, and then the trial March 22nd through 26th.

And with that schedule in mind, I think, from our perspective, there are probably four issues that we could discuss, and I think potentially are on the plate this morning.

The first is one that we talked about last time in September, and that is the schedule for dealing with the Callaway motion in limine on the test ball evidence. I guess at this point, I have to say the original test ball evidence, because as your Honor may know, Acushnet has been busy creating new test ball evidence, which is another issue.

The parties had agreed to a schedule are for filing that motion, and we did not go ahead and file on the data agreed to. That was December 1st. There were disputes over exactly what else would be filed on that day and we hadn't heard from your Honor, so we held off. Obviously, Acushnet did not.

My proposal at this point is that we go ahead and file that motion, which, again, was really the only one that was discussed in September. If we were to push it back from December 1st to December 11th, which would be Friday, that backs it up ten days. We could then back up the agreed

response date from January 4th to January 14th, and I think, frankly, we could keep the reply date of February 1st. I don't think that really requires further extension, but if Acushnet feels otherwise, I'm sure we can work that out.

So that is the first issue, is the schedule for filing that motion.

Now, there are three other potential motions, as you know, your Honor, that Acushnet proposes to file, which I will get to, though the second issue I think is what should be tried, and I want to talk about that one next.

There was this discussion last time of whether we would try damages in March, and we made our request, your Honor heard it, and that was not decided. Acushnet obviously opposed, and they now propose in their own filing that trial actually be bifurcated as between anticipation and obviousness.

We continue to believe damages can and should be tried this time around for the reasons we've already said given where we are procedurally in the case, so we don't have yet another trial and another Federal Circuit appeal and yet more delay, which would allow the re-examinations potentially to get the conclusion.

I just would remind the Court, in terms of time, the last trial spanned six days, but we actually had less trial time than we now have this coming March. We have five

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days coming up this March. Last time that six days included jury selection and there were effectively two half days, so we do think there's time to get it done.

Now, I'm sensitive to the fact that, you know, the Court does not usually try damages together and bifurcates it, and we've explained why we think this case is special. I have a compromise to offer on this issue, and we have not gotten a clear answer from Acushnet on it and perhaps we will, which is, if they are -- would agree not to argue that the fact that damages is outstanding is a reason that the re-examinations should not be terminated, assuming the other things work out in the way that they would have to, then we're okay with damages not being tried. Our concern is that they're going to argue down the road if we have a validity trial, if the patents again survive validity, if the Federal Circuit says the patents survive validity, but if damages are outstanding, Acushnet might argue that the fact that damages are undecided means that the re-examinations continue to roll along.

We have asked them their position on this. They have not provided it, which tells me everything I need to know and is the reason we are very concerned about damages not being decided. So that's the damages issue.

As for phasing anticipation and obviousness, just a couple of quick points there. That strikes us as a

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non-starter. I'm not aware of that ever having happened. We looked for a case. We could not find one. They don't cite one in their papers, so I think we can assume that that would be a relatively unprecedented development.

There is actually a case, your Honor. Twenty-five years ago, Judge Longobardi was asked to do this in your Court, and he said no, not surprisingly. So there is at least one case going the other way and we're still looking at that.

The issues overlap. The evidence overlaps. Many, many cases say that the evidence overlaps 103 and 102. And, of course, it would be a strange thing, to put it mildly, in this case for the Federal Circuit to have sent the case back for a retrial on obviousness and not to get a retrial on obviousness, but, in fact, to have some different issue decided and then have the case come back before them. So that strikes us as a non-starter.

The last two issues, even quicker. Acushnet's proposed summary judgment motion. This one is surprising to us in several ways. Obviously, if your Honor is prepared to entertain it, then so be it, but we'll just note that, of course, the Federal Circuit didn't say anything about Acushnet refilling. They did say Callaway Golf might be allowed to refile.

In September, Acushnet was of the view that they

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probably were not going to file, so they apparently changed their mind. It remains our view this is fact laden. I'm not going to get into the merits of the motion. There are many, many, we think, problems which we could point out if we need to. But I think the main problem with it now, in addition to the fact that there really isn't time to deal with it, is it relies on a bunch of new evidence. I don't know if the Court has even had a chance to look at it.

But they purport -- propose to reopen the record for new declarations, new test ball evidence that they've created in November of this year. Again with the involvement of the lawyers, it is the same thing all over again. And there's just no want for any of that. This is a retrial. You know, neither side should be allowed to be reopening the record and submitting new evidence and so forth. So, again, that strikes us as a non-starter. And, again, we think there should be a trial on obviousness anyway, and so what is to be gained by deciding just a single motion on anticipation?

As for their motions in limine, your Honor, we'll deal with them whenever and however you tell us we should. You know, this is the fourth issue, by the way. The pretrial order says how these should be dealt with, which is, don't file separate ones, except in a special case. You should identify them in the pretrial order, and

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we'll talk about them at the pretrial conference on March 3rd. I don't see why their two motions should be treated any differently. They've obviously gone ahead and filed them. If the Court wants to deal with them that way, we'll do it.

We do have some motions in limine of our own, but I think we will frankly continue to observe the Court's procedure for ours, because I think they can be belt with in that way.

Let me stop there. I appreciate the indulgence of the time there.

THE COURT: All right. Thank you, Mr. Scherkenbach.

Let's hear from Acushnet's counsel.

MR. BUNSOW: Thank you, your Honor. This is Henry Bunsow.

And I will just respond in the same order that Mr. Scherkenbach brought these things up, so let me start first with the test ball evidence motion.

We filed that motion. We thought we had a schedule. They didn't. And we have not heard from the Court on that. If the Court is inclined to allow them to file now, we don't have a problem with the schedule that Mr. Scherkenbach proposed, with the December 11th filing, response January 14th, reply February 1st. If the Court is

inclined to allow that, that's fine with us.

As to the trial, you have set the case for five days. I understand the Court has limited time. We think, effectively, this is probably very close to the time that -- the length of time that was available for the first trial, and there are additional issues in this trial.

The anticipation defense was not tried in the first trial. There's going to have to be a lot of discussion, instruction, and probably order of presentation, because the test ball evidence is allowed for anticipation, but based on prior rulings, not relevant to the obviousness determination. That feeds into our request that the anticipation case be tried first, and that would clarify, we think, procedurally, the effect of the test ball evidence for the jury.

We think we have a very strong anticipation case at this point, based on the CAFC decision, based on the incorporation, which was the sole basis that we believe the summary judgment was denied in the earlier case.

So if the summary judgment motion on anticipation is not decided favorably for Acushnet, which would, we believe, eliminate the need for a trial at all, then we think that given the different status of key pieces of evidence, that it makes sense to segregate it for the jury, so that's what we proposed.

And that's the phasing that Mr. Scherkenbach talked about, and, of course, we've made that request to the Court and I think our papers are pretty clear on why we think that's the way to go. It's pretty clear to us from the CAFC decision that anticipation should be part of this case going forward, and we just think it needs to be procedurally handled appropriately, so that's why we made that suggestion.

We did bring a summary judgment motion on anticipation. We hope the Court will entertain that. It is a, we think, a very strong motion. I won't argue the merits of it on this call. The papers are before the Court.

THE COURT: And tell me, is this motion based on new evidence that has been prepared and not vetted through any kind of discovery? I have not looked at it, so if, in fact -- I mean, I don't generally entertain motions for summary judgment on remand, and I particularly don't entertain motions for summary judgment based on evidence that is newly created or discovered and hasn't been vetted through the discovery process in the first instance.

So if your summary judgment motion is based on new evidence and you essentially reopened the record, explain to me why that could possibly be appropriate.

MR. BUNSOW: Sure. The primary basis for the motion for summary judgment is that the CAFC has held that

the incorporation by reference is effective and our primary basis is that that was the reason the motion was denied in the first instance. That has been effectively reversed by the CAFC, and since the incorporation by reference is now effective, that that should lead a fortiori to a finding of anticipation.

As to supplementing the record, Joe, I would like you to address that, because I'm not familiar enough with the earlier record yet to be definitive on that. I don't want to say anything that's not totally accurate.

MR. LAVELLE: Good morning, your Honor. Joe Lavelle for Acushnet.

Your Honor, there is a Dalton, Jeff Dalton declaration that is new that wasn't before you the last time. It relates to an issue that was before you the last time. Namely, whether the various layers of the ball underneath the outer layer have any effect on the hardness of the outer layer, and it relates to the inherency of one of the claim limitations in Nesbit.

So it is a topic that you've heard before. It is a subject that you've heard about before, but there is some additional new testimony that I think presents it more clearly in the new motion.

THE COURT: And I guess the question is, under our circumstances, where there isn't a whole lot of

time and I certainly have more than enough work, how it is that a new declaration, even on an old topic that hasn't been vetted, how I could fairly decide in Acushnet's favor under those circumstances? You know, arguably, how I could do that fairly when Mr. Dalton and his declaration have not been vetted?

MR. SCHERKENBACH: Your Honor, it's Frank Scherkenbach.

Just so you are clear, it's not just a declaration. Mr. Dalton's declaration is entirely new, that's true. It relies on new test data for brand-new test balls. They went and manufactured, together with the lawyers again.

Again, it's the same thing all over again. Troy Lester and the gang made dozens of new test balls that were tested the day before Thanksgiving this year. So this is not even just about redeposing Mr. Dalton, though that would be reason enough to deny it. We've got to go -- we're going to have a new round, motion practice on a new set of test balls, completely separate from the ones you've already got to deal with. It just -- it just strike us as a total non-starter.

In addition, there's a new declaration for Mr. Morgan as well. Now, some of the subject matter of Mr. Morgan's declaration, some of it was certainly in the case

before, but some of it was not.

So we have two new declarants and a bunch of new evidence. And, you know, reopening the record in this way, particularly where we're talking about a pretrial submission that's going to be in late February, I just don't see how that is even conceivable, let alone fair to Callaway.

MR. LAVELLE: Your Honor, Joe Lavelle.

Frank is essentially accurate about the contents, that there are new test balls. I do think he's also accurate when he says that it presents exactly the same issues that the existing test balls do, and that are before you, and that this seems like an issue that can be cured through a deposition of Mr. Dalton. And obviously we have to make him available if we want you to consider that, and we would, but it just seems like they could take the deposition and see where they are, and if they still have issues after that, they can certainly brief them. But it seems like the concern can be addressed through a deposition.

THE COURT: Well, I guess this is my problem. I'm a trial Judge. My job is to get you to trial, and when the Federal Circuit disagrees with something that I've done in that process and sends it back to me, I don't intend to start over again.

And so my question to Acushnet's counsel is, how

is opening the record consistent with my job? I mean, I did this once. You had full and fair opportunity to do whatever testing you wanted to do the first time.

How is it that we're doing discovery again? I just don't get it.

MR. BUNSOW: This is Henry Bunsow again, your Honor.

The intent of what was done, as I understand it, was to corroborate and expand upon what was before you before. The summary judgment was granted on the basis of no incorporation, which avoided dealing with a lot of these issues. However, it also precluded developing the record at the time of trial. So there is no evidentiary record, there's no trial record.

THE COURT: Well, I mean, I have so many cases, I don't recall, but, certainly, Acushnet had the opportunity to develop its evidentiary record up to the initial summary judgment motions and initial trial, and so you're right, I didn't allow that record to be presented to a jury.

But why is it that the Federal Circuit's decision creates an opportunity to expand the record you had in the first instance? I mean, I don't think it does. I guess I'm just trying to give you a full and fair opportunity to convince me otherwise.

MR. BUNSOW: Sure. And I certainly think, you

know, reasonable minds could differ on that, but the fact of the matter is that the subjects, the same subject matter was before the Court. The so-called new evidence, if anything, is probably cumulative to what was before the Court before with the original test balls.

If the Court decides that, you know, this truly is newly created and different evidence and shouldn't be considered, we can certainly live with that, because we think that the record that was before you on the original summary judgment, if incorporation by reference had been allowed, was ample to support a finding on summary judgment of anticipation. And that's really the first approach to the summary judgment motion and the only basis upon which it was denied, was lack of incorporation by reference. That's a dead issue at this point. It went our way.

So we believe that, in the first instance, A plus B equals C, so to speak.

The additional evidence was for further explanation and corroboration. If that's not helpful, if the Court feels that that is an improper supplementation to the record, we'll withdraw that. I mean, we thought it was helpful. We thought it could be useful, but if it's not appropriate, then, you know, we're not going to push it. If you are not willing to consider it, we're not going to offer it. Put it that way.

THE COURT: All right. Well, I appreciate that.

MR. BUNSOW: Yes.

THE COURT: Whether it's helpful or not is kind of beside the point when we are talking about fairness in the process and limited resources. So I am going to ask you to withdraw the new, and whether that means you need to refile your motion, or whether you relied sufficiently on the record as it existed at the time of the first trial, to just -- you know, still keep the same papers in, except we won't consider certain parts of it, that is up to you.

MR. BUNSOW: Okay. May I make a suggestion in that regard?

THE COURT: Yes.

MR. BUNSOW: My suggestion would be for clarity and to avoid any confusion going forward, that we do recast it with the Court's comments in mind. And what I propose is that we comply with the same schedule that Mr. Scherkenbach recommended. We would file on December 11th. The response would be due January 14th, and the reply, February 1st.

THE COURT: All right. Thank you.

All right. That's the summary judgment. And I guess the question is -- well, you go ahead and address whatever you care to at this point, Mr. Bunsow?

MR. SCHERKENBACH: One other issue, your Honor -- I'm sorry -- it's Frank Scherkenbach -- that may

require a decision, is whether we should go ahead and brief their additional motions in limine on that same schedule.

THE COURT: Well, yes. Well, certainly, with respect to the test, the original test ball evidence, Calloway's motion, I'm going to allow that to be considered on that schedule.

And, Mr. Bunsow, there are a few issues that you hadn't had the opportunity to address, which I assume you're going to now.

MR. BUNSOW: Yes, your Honor.

THE COURT: And that has to do with -- yes?

MR. BUNSOW: Well, actually, I think we've covered all of the issues, if I didn't miss anything.

Joe, is there anything else we needed to address?

MR. LAVELLE: Just the two motions in limine, I think. There are two motions in limine, your Honor, that would filed together with the summary judgment motion. They relate to the question of bolstering and, in other words, what use can Callaway make of the examination before the Patent Office before the jury if all the re-examinations are going on.

And the second relates to the use of the so-called Hebert patent, and Calloway's efforts to suggest that their patents were valid because Acushnet got the

Hebert patent.

Obviously, if you would prefer to rule on them at the final pretrial, that is fine. Our reason for filing them, as we said in our cover letter, is that they present relatively new issues and relatively important issues to the conduct of the retrial, and we thought that the briefing might be helpful to the Court, and obviously, though, we will comply with this and raise this issue however the Court prefers.

THE COURT: All right. Thank you.

I mean, because of the excesses of patent counsel in the past in filing dozens of motions in limine, I eliminated the practice in my cases.

It seems to me, since Acushnet has gone to the trouble, that if there are a limited number of motions in limine that will be filed by both parties, I assume Acushnet has exhausted its filings, so you've got two motions in limine that I will go ahead and entertain briefing, and if Callaway has, again, a limited number of motions in limine, I will, in this exceptional case. You won't get a written response. You will probably get a response at the pretrial.

But, Mr. Scherkenbach, if Callaway has -- I mean, if you say you've got 15 motions in limine, then we'll go back to mine. If you have two or three --

MR. SCHERKENBACH: Yes your Honor. No, I've

never said that before and I'm not starting in this case. So there will only be a couple, at most.

THE COURT: All right. All right.

MR. BUNSOW: This is Henry Bunsow, your Honor.

THE COURT: Yes?

MR. BUNSOW: If we could meet and confer on those, we might very well be able to resolve those without the need to file them. We did meet and confer on the ones that we filed and were not able to come the to agreement.

THE COURT: All right. All right. So we've got the motion for summary judgment and Calloway's motion on the test ball, original test ball evidence. We've got motions in limine taken care of.

I am not going to phase anticipation and obviousness. I've never done it before and I really can't see setting any kind of precedent by doing it in this case. This case simply isn't -- well, I don't know what circumstances would justify that, but they certainly have not been presented to me yet.

With respect to damages, I, frankly, as a trial Judge, retrying a case is exhausting. It is frustrating. It is a waste of resources. It feels like a waste of resources. And so to try this case perhaps a third -- well, a third time would be truly depressing, actually.

So although I do generally bifurcate damages,

unless Acushnet either agrees with Calloway's compromise, or agrees that damages will somehow be worked out through ADR -- in other words, I don't want to try this case again in any form. Twice is enough; three times is far too much.

Damage will be tried absent some agreement between the parties that they're going to absolutely work out damages without the necessity for a trial, or consistent with Calloway's compromise, that I will not try to reword.

So damages will be tried, anticipation and obviousness will be tried. And we'll do the best we can with respect to time.

There is always a possibility I can give you more time as cases drop out because of settlement, or motion practice, but I can't count on that at the moment, so I've done the best I can.

Are there any other issues we need to address?

MR. BUNSOW: Your Honor, this is Henry Bunsow. Just based on the procedural aspect of trying damages in this trial, would the Court be open to the suggestion that damages be phased? That we take an initial liability verdict and then go to damages, if necessary?

THE COURT: I will think about that. I know the few times I've done that, juries are always upset when they think they've finished and we say, oh, well, no, you haven't. You've got another job to do. So I will take that

under consideration and you all can talk about it.

MR. SCHERKENBACH: Your Honor, the other -- Frank Scherkenbach.

We would oppose that because the evidence overlaps anyway and we have a window that is not excessively long to get it all done. I don't think that would accomplish anything and it's going to confuse folks, but we could take that up at the pretrial, I suppose.

THE COURT: Well, yes. I mean, I assume someone could -- I would allow you to use the opportunity to file a motion in limine to that extent, but it is generally not a happy solution for the jury, and so I would have some concerns about that.

MR. BUNSOW: Sure. Sure, your Honor. This is Henry Bunsow.

We, of course, would defer to your experience on that, but I have certainly done it in other cases. I think it certainly offers an opportunity to save some time if we ultimately prevail, and it does eliminate what everybody is always afraid of on the defense side, which is throwing huge numbers up in the air at the jury, which I'm sure Callaway fully intends to do, and basically overshadowing the merits of the case and influencing the jury in that respect, and that is the great fear that I'm sure you appreciate and that every defendant appreciates when it comes time to a case

like this, where the numbers truly are pretty large.

THE COURT: Well, I, again, invite you to file a motion in limine in that regard, and that way I will have -- and I wouldn't think it would take much of a brief, but I would be interested in this overlap of information and how that would -- I would be interested in a written response by Callaway as to how, aside from the general jury disappointment, how the presentation of the evidence would be affected by having the jury decide damages after they've decided liability.

MR. BUNSOW: Right.

MR. SCHERKENBACH: Yes, your Honor.

THE COURT: All right. Counsel, take care, have a good holiday season. And thank you for your time today.

(Counsel respond, "Thank you, your Honor.")

(Telephone conference concluded at 10:10 a.m.)

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